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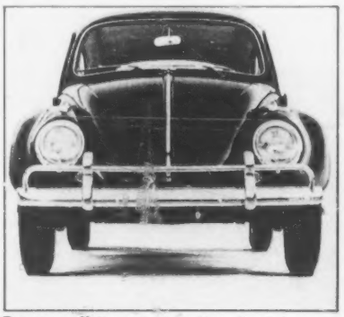

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a consumer chooses to buy a roll of Kodak film, for example, "the brand itself has added value because it has been advertised."

Lately, the role of advertising has assumed even greater proportions. Brand names (and parent companies) are bought and sold on the basis of that certain intangible equity known as "goodwill," established for the most part through advertising.

"Clients are more appreciative of the role of advertising today, [because] they've developed a monetary value of the brand franchise," says Allen Rosenshine, president-ceo of Omnicom Group. "A brand is a marketable commodity." While the value of brand names has made advertising more crucial, many ad experts believe the role of advertising as a sales tool has declined over the years.

"There was a time when many [products] would have a gigantic edge simply because they were on TV," Mr. Manning says. Now, "appearing on the TV screen in and of itself is meaningless."

Media advertising may defend a client's product against a competitor's attack on market share, but it alone won't guarantee a sales increase. It can, however, help "sell" a political candidate to voters, promote the use of condoms to fight AIDS or raise awareness of the dangers of drug abuse.

"Most advertising doesn't really sell anything the way a clerk in a store does," says Alan Gottesman, an ad industry analyst at PaineWebber. In most cases "it doesn't compel a purchase."

The most it can do, the experts say, is to boost awareness, encourage trial and convey psychological benefits to people who already use the brand, particularly if it is well-established and in a slow-growth category.

People may see themselves as part of the "Pepsi generation," and so will feel good about drinking Pepsi, but they won't necessarily go out and buy it. Yet sales of some products clearly are driven by advertising that compels consumers to act.

A direct-response TV commercial or print ad may prompt someone to buy a book, order a vegetable slicer or join a club. A commercial will encourage a moviegoer to see a new film or to stay away. A spot for a supermarket will tell shoppers what's on sale this week, prompting an unexpected purchase.

Most established consumer products and services now, however, are more alike than ever before, and new products aren't very new—or without competition—for very long. Rosser Reeves' USP (Unique Selling Proposition) may not be dead, but achieving that lasting element of exclusivity in an ad claim is becoming much more difficult in today's marketplace.

This change has "created a demand for advertising to deal with more and more intangible aspects . . . the emotional quotient of a brand as opposed to functional aspect," Mr. Rosenshine says.

At the same time, the audiences that advertisers seek—and the media that reach them—are becoming even more fragmented. Consumers, despite their seeming fascination with advertising's creative process, are more cynical and disbelieving about its claims.

It's not that advertising's power has diminished for most other products. Instead, its form has merely changed.

Broadly defined, advertising now more widely encompasses and encourages alternatives to traditional marketing methods, such as couponing and other price promotions, to store events, civic events, public relations and even touch-screen computers that generate recipes. Advertising itself has become more regionalized and targeted to specific uses and users of a product.

In the glory days of television in the mid-1950s, says Thomas Leahy, president of CBS Marketing, "our industry was so powerful that the sheer exposure of your message would sell your products. It evolved to a matter of not the value of the process or exposure, but simply, 'What is it going to cost you?' "

Some of that power still exists in countries newly exposed to the American-style inundation of advertising.

In parts of Latin America, for example, "a much greater part of the task is truly information and education, in which housewives and families who are just moving into an economic class where they consider products and services [are] really hungry for information that puts it in a social usage," says Norman Brown, chairman-ceo of Foote, Cone & Belding Communications. "It helps them operate in the world they're developing into."

But in the U.S., times have changed, and the novelty of advertising exposure is dulled because virtually every company is doing it. Instead, "What's really happening is there's a broader definition of what advertising is," says Anthony Adams, marketing research director at Campbell Soup Co.

"There are a lot more tools to be used, and used in combination with one another. It's not just the chocolate, vanilla and strawberry flavors," he says.

Today's more segmented market works against this three-flavored TV, radio and print mix because it demands advertising that can get "closer to the consumer, and some of those media are more distant. A diet of only traditional media won't do it," Mr. Adams says.

Campbell, for example, has resurrected its "Campbell Kids" characters not only for advertising but also in-store appearances and other promotions. (It also has returned to a popular slogan of yesteryear, "M'm M'm good!" a softer-sell, more emotional approach than the previous "Soup is good food" campaign.)

Five or 10 years ago, alternative marketing methods were "inconsequential," he adds. Now, the new media may account for as much as 10% of a total marketing budget, particularly with less-advertised brands. And managers for such brands—defined as those with TV budgets of $5 million or less—are now being instructed to look more seriously at these strategies because their budgets are below the spending "threshold" required for effective TV reach.

Ad agencies have been working overtime to accommodate themselves to this gradual shift toward "below-the-line" marketing services. Most larger shops have acquired, started or affiliated with sales-promotion companies, direct marketing, public relations, even grocery-store shelf-space management.

Ogilvy & Mather is doing pioneering work in scanner research involving the Universal Product Code and supermarket checkout counters. Such moves are partly defensive to prevent the drainage of ad revenue by other alternatives offered by competing companies.

But there is a more aggressive side to this development. Agency executives are also concerned about "orchestrating" client marketing efforts so they can control the overall consumer message with an effective, cohesive approach. The job of creating wonderful ads—the essence of agency activity—remains at the heart of the process. But increasingly, agency chiefs worry that too much promotion without general advertising will erode brand loyalty and ultimately harm product quality and marketing innovation, all of which adds up to a loss of agency revenues. So they push forward on all fronts.

"I think advertising in the most general sense prevents competing companies from ultimately losing profits and margins to the price factor," Mr. Rosenshine says. "Even though we see so much of advertising and marketing effort going into sales promotion, the fact of the matter is that sales promotion only works effectively when you're promoting something with inherent value," he adds. "You can't promote sales of a piece of crap."

Giving brands their identity—and thus a perceived value—is advertising's unique power, even if, as studies suggest, pricing remains the more powerful short-term sales motivator. "I think for consumer products and services, advertising is just absolutely essential," says Mr. Brown. "I don't think brands can exist without it; certainly they cannot flourish. It's kind of the final visible point of competition between companies."

The waning of "generic," unbranded or no-name products, so popular in the 1970s when inflation was soaring in the U.S., reflects the notion that price alone won't do the job, these executives say. Innovation, quality and the image of brands remain crucial elements in the modern day sales mix, especially in markets where status matters. Would a Mercedes-Benz retain the cachet that it carries based on high price or quality manufacturing alone? Aren't consumers wary of heavily discounted price deals that seem too good to be true?

The final irony, it seems, is that the public's fascination with advertising coincides with its waning ability to directly move products off store shelves. But while many in the industry complain that advertising alone doesn't do the job it once did, the various "newer" marketing disciplines are wholly dependent on advertising to lay the groundwork by creating value and demand among consumers.

Advertising, however entertaining or dull, in its best form articulates the most significant point of difference between products. "When brands get weakened or products disappear, and price is the only differentiator, quality will go down as well," says Kenneth Roman, chairman-ceo of Ogilvy Group. "I challenge you to tell me of one enduring success story built on price alone."

THE AD AGE 500: A FIVE YEAR ACCOUNTING

Year	Gross income W'wide	Gross income U.S.	Gross income Foreign	Billings W'wide	Billings U.S.	Billings Foreign
Top 500 agencies						
1987	9,613.1	6,217.7	3,395.4	65,702.4	42,971.2	22,731.2
1986	8,648.9	6,502.2	2,146.7	59,318.8	44,740.8	14,578.0
1985	8,174.6	6,262.2	1,912.4	55,805.5	41,371.8	14,433.7
1984	7,129.4	5,276.7	1,852.7	48,443.9	35,895.4	12,548.5
1983	6,088.6	4,458.1	1,630.6	41,388.0	30,334.2	11,053.7
Top 100 agencies						
1987	8,402.4	5,015.7	3,386.7	57,294.6	34,593.7	22,700.9
1986	7,366.7	5,223.9	2,142.8	50,513.5	35,937.3	14,576.2
1985	6,870.1	5,030.3	1,839.8	46,805.7	32,880.2	13,925.5
1984	6,272.2	4,423.3	1,848.9	42,608.0	30,115.3	12,492.6
1983	5,390.1	3,761.3	1,628.8	36,535.6	25,514.2	11,021.4

NOTES: Dollars are in millions. Change is computed from previous years' figures, including 1982, not shown. All figures are constant, representing reporting by the top agencies in the year given.

The AA 500 agencies include subsidiaries of parent agencies also on the list. Totals of subsidiaries were subtracted from the 500 composite figures when those totals were consolidated into their parent's numbers. This procedure prevents a subsidiary from being counted twice.

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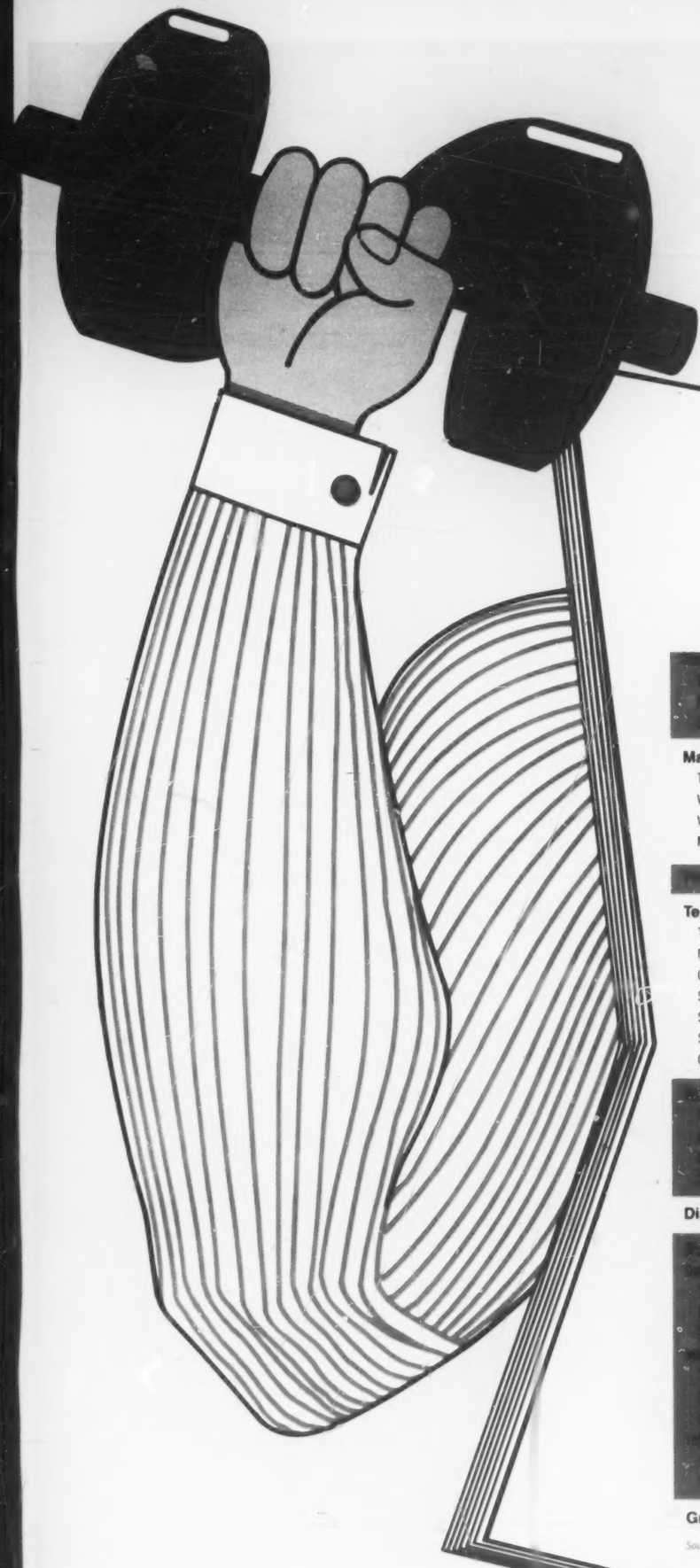

MEDIA

THE POWER

ESTIMATED ANNUAL U.S. ADVERTISING

	1977	1978	1979	1980	1981
Magazines					
Total	2,162	2,597	2,932	3,149	3,533
Weeklies	903	1,158	1,327	1,418	1,598
Women's	565	672	730	782	853
Monthlies	694	767	875	949	1,082
Television					
Total	7,612	8,955	10,154	11,474	12,886
Network	3,460	3,975	4,599	5,130	5,575
Cable (nat'l)	—	—	—	50	105
Syndication (nat'l)	—	—	—	50	75
Spot (nat'l)	2,204	2,607	2,873	3,269	3,746
Spot (local)	1,948	2,373	2,682	2,967	3,368
Cable (local)	—	—	—	8	17
Direct mail	5,164	5,987	6,653	7,596	8,944
Grand total	37,440	43,330	48,780	53,550	60,430

Source: Prepared for Advertising Age by Robert J. Coen, McCann-Erickson

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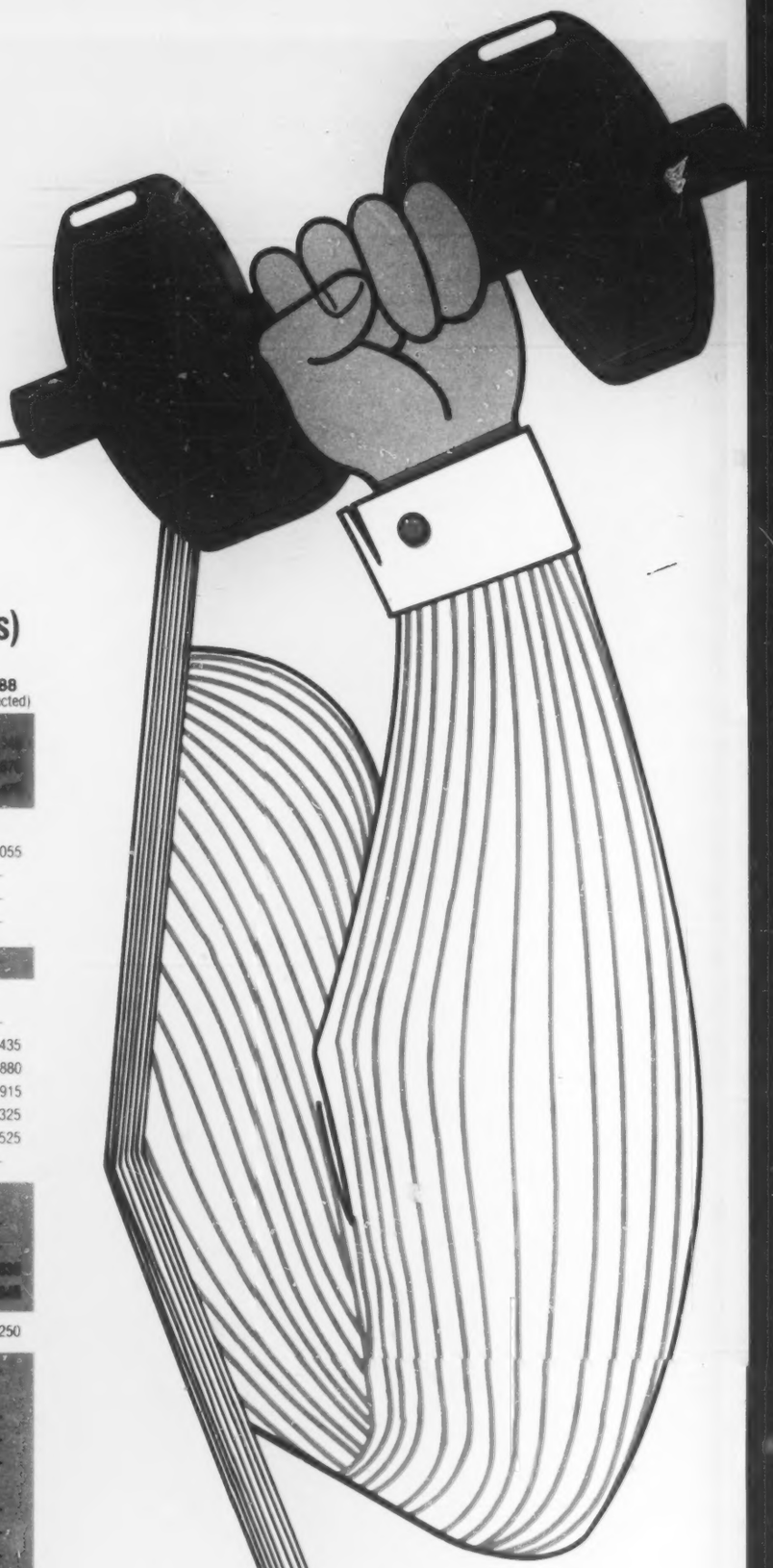
IN NUMBERS



EXPENDITURES 1977–1987 (in millions of dollars)

1982	1983	1984	1985	1986	1987	1988 (Projected)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3,710	4,233	4,932	5,155	5,317	5,607	6,055
1,659	1,917	2,224	2,297	2,327	2,445	—
904	1,056	1,209	1,294	1,376	1,417	—
1,147	1,260	1,499	1,564	1,614	1,745	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
14,716	16,842	20,090	21,290	22,881	23,904	—
6,210	7,017	8,526	8,285	8,342	8,500	9,435
195	303	492	637	676	760	880
150	300	420	520	600	762	915
4,364	4,827	5,488	6,004	6,570	6,846	7,325
3,765	4,345	5,084	5,714	6,514	6,833	7,525
32	50	80	130	179	203	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10,319	11,795	13,800	15,500	17,145	19,111	21,250
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

As American society ages, growth slows and segments become harder to pinpoint, marketers making their decisions on how best to reach their targets will put a greater burden on research experts.

A SYMPHONY OF DEMOGRAPHIC CHANGE

By Peter Francese

Demographic, social and economic change has transformed America's consumer markets from being relatively easy pickings to elusive targets. Today's intensely segmented consumer markets are more difficult to predict, harder to reach and tougher to sell than ever before.

In such an environment it should surprise no one that advertisers are searching for greater efficiencies in their marketing and advertising efforts. For many years management's focus has been on achieving greater efficiency in operations such as manufacturing and distribution. But with the shift to smaller production runs of more highly differentiated products, the focus has switched to selling more products with the same or fewer advertising and promotion dollars.

An essential element for more efficient marketing is a deeper understanding of the consumers. Such understanding is rarely achieved but is, in fact, an ongoing process as consumer trends unfold and the American family changes in size and character.

As we prepare to move into the last decade of the 20th century there are many population and household trends developing simultaneously. Some, like the shortage of teen-agers, are in evidence now, while others will appear throughout the decade.

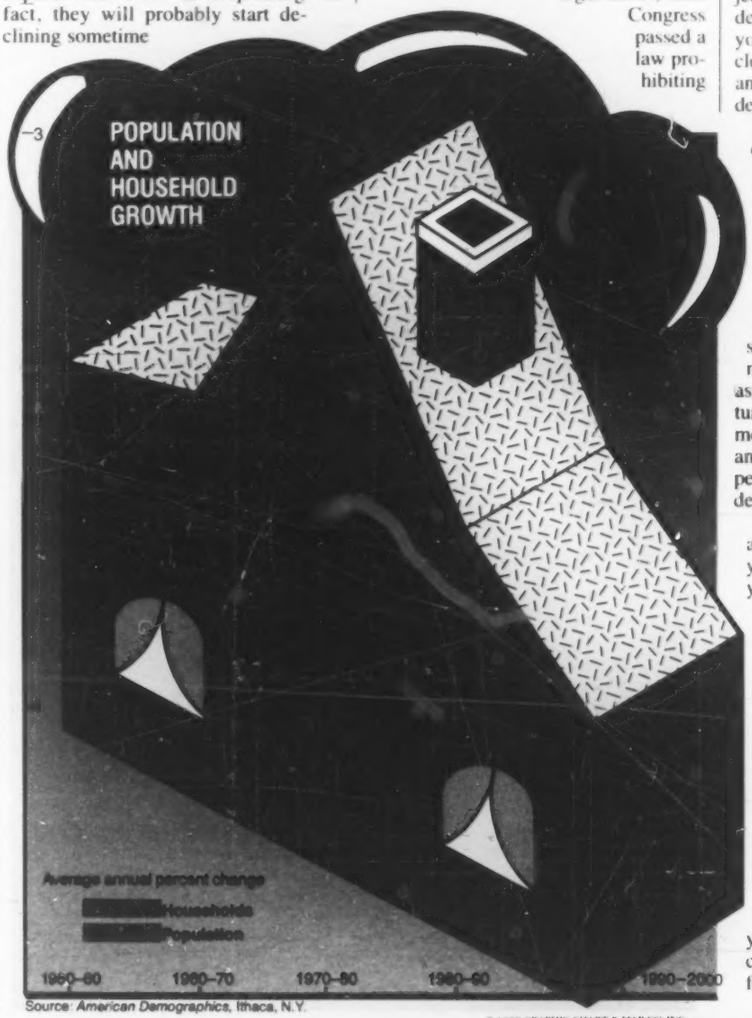
There are three major themes in a symphony of demographic change with numerous melodies: slowing population and household growth; an aging society; and an increasing fragmentation of consumer markets.

Each of these trends and its components has implications for the way we communicate with consumers, the types of messages that will influence their behavior and the kinds of products and services they will buy.

* * *

The U.S. population is growing at just under 1% per year, and each year the rate of growth diminishes slightly. The major component of growth is births, which at 3.8 million have hit a post-baby boom record low. No one expects total births to keep rising. In fact, they will probably start declining sometime in the early 1990s.

The other component, immigration, was growing rapidly and adding between 500,000 and a million-plus people a year (including an estimate of illegal aliens) until Congress passed a law prohibiting the employment of undocumented workers. That may have serious long-term consequences for U.S. growth because as the population ages, deaths will rise to completely offset births. Thus, within the next generation, immigration will be our major, and perhaps only, source of growth.



Source: *American Demographics*, Ithaca, N.Y.

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Households grew more than twice as rapidly as the population during the 1970s, fueling the demand for all kinds of home-related products. But now households are increasing only 1.5 times as fast, and during the 1990s the growth rates will probably converge.

The major consequence of such low overall growth is to intensify the search for the more rapidly growing consumer market segments. Almost no one will be satisfied with sales or profit growth of less than 1% per year. The trick is to find a faster-growing segment before everyone else does or build market share faster than anyone else. Some of the faster-growing segments are demographic (i.e., working women with very young children), but some are geographic (i.e., Florida). A sharper focus on demographic segments means advertisers will want more tightly targeted marketing campaigns. A heightened awareness of geographic segments means more regional and local marketing.

* * *

The U.S. population is aging because while the number of young adults is falling, the number of mid-age and very old people is rising rapidly.

The number of young adults 18 to 24 peaked in the early 1980s and is projected to decline by 12% over the next decade. This means 3 million fewer young people to buy beer, motorcycles, college educations, cosmetics or any of the other products and services designed for young consumers.

There is some evidence that this decline may be at least partly offset by rising purchasing power due to higher wages and lower unemployment rates. But while cash-register receipts may not be deeply affected, there will be fewer people to run those cash registers or to provide service in what is supposed to be a service-based economy. This suggests the telephone and the modem-equipped personal computer as major shopping methods of the future. Catalogs now in print form will more and more appear in video form and the sales clerk will more often appear as the UPS or U.S. Postal Service delivery person.

Contrary to the decline in young adults is the growing children-and-young-teen market. By 1998 5-to-12-year-olds will be up 10%, and they are becoming more sophisticated consumers every year. This should mean growth for videogames, preteen cosmetics and microwavable foods.

The majority of young children today who live with both parents see them go to work every weekday. So they are taking on more household responsibilities and making more and bigger purchasing decisions for themselves.

The difference between men's and women's patterns of lifetime employment becomes smaller every year. Even a majority of mothers with children under age 1 are in the labor force. This tends to fragment pur-

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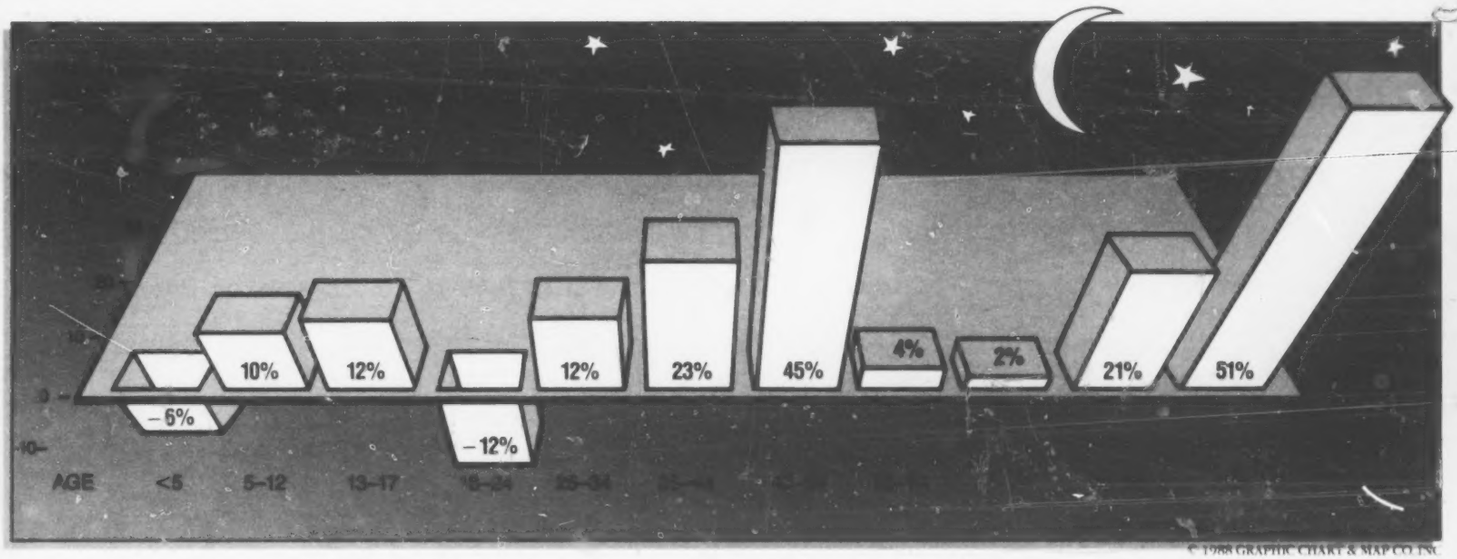

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(Continued from Page 130)
chasing behavior within the household, change how people spend their time and reduce the opportunities for reaching an entire household with one advertising message.

The second reason why this country is getting older is the middle-aging of the baby boom. During the next decade the market segment called the baby boom will move into middle age and in the process move into its peak earning and spending years. In 1990 the baby boom will be about 25 to 44 years old. In 2000, therefore, they will be about 35 to 54. During the next decade the 35-to-44 age segment will grow 23% and the 45-to-54 age segment will jump 45% *(see chart)*. Only one other age segment will grow faster: those 85 and older. But no other group earns or spends more than the 45-to-54s.

According to the latest Consumer Expenditure Survey consumers 45 to 54 spend the most on food (30% above average), apparel (38% above average) and retirement programs (54% above average). The 35-to-44 age group spends the most on housing, motor vehicles and entertainment. At current spending levels a 1% increase in householders 35 to 54 means an additional $8.9 billion in consumer expenditures.

As they get older, baby boomers are also settling down in a big way. Interstate mobility declines sharply with age and people in their 30s and 40s take a greater interest in their home and in their community. As baby boomers put down roots, literally and figuratively, the lawn and landscape business should do well. But there will also be a greater interest in locally produced products. This suggests greater regional as well as market-by-market diversity and a rising demand for advertising with a local flavor and content.

Time management is a big deal with baby boomers. Thus, retailers that find ways to reduce the time and hassle of shopping will get a competitive edge. This may mean an increase in the information content (i.e., size, location, colors available, price, etc.) of print advertising to make shopping easier.

One market segment for which time does not seem a problem is the mature market. No consumer group has been more misunderstood than older Americans. The 55-plus market has had a reputation for high growth but low income. For part of this market that is the case, but for the majority the exact opposite is true.

Almost half the nation's discretionary income accrues to people 55 or older. The word growth hardly describes most of this population. Three quarters of the mature market is between 55 and 75; the Census Bureau projects that age group to grow a mere 3% in the next 10 years. But the population 75 to 84 is expected to grow rapidly (up 21%) and the oldest old, those 85-plus, will increase 51% by 1998. More than one in five people in this oldest age group are in a nursing home or hospital and many live at or near poverty.

The rapid increase in the very old will create enormous demand for long-term health-care facilities along with the staff and equipment to maintain them. Assuming present levels of institutionalization, there will be a demand for about one new 100-bed nursing home every single day for the next 10 years. The sharp contrasts in the mature market—from bedridden patients in a nursing home to big spenders on a cruise—makes this consumer group difficult to understand and hard to communicate with.

More than the usual amount of consumer research is required before developing an advertising campaign targeted to this group.

* * *

The fragmentation of consumer markets combined with increasingly diverse media means more research information about consumers must be processed and understood before making marketing and advertising decisions.

If advertisers, responding to demographic change, want more highly targeted messages and more efficiency in their advertising efforts, perhaps they also will obtain research to measure marketing performance.

Maybe a new breed of efficiency expert will move from the assembly line to the advertising agency.

More complicated consumer markets require more sophisticated consumer research and the integration of consumer information into media buying and marketing decisions. This is what is often called data base marketing and never have we had more data with which to do such marketing.

In a few years billions of figures from the 1990 census will be available to add to the already substantial output from scanner cash registers, people meters, panel diaries, syndicated studies and market-research reports. The marketing or advertising director in the 1990s will have to be extraordinarily skilled at processing vast amounts of data and making sense of it.

Out of those oceans of numbers must come not only a better understanding of consumer markets but also more precise measurements of marketing efficiency. ■

Top of New England!

This Northeast market is one of America's most livable cities. The market is also ranked in the Top 10 of U.S. Metro's in per household retail sales. It is an ADI Market which is the fastest growing in New England over the past 5 years ... (growing at more than twice the rate of Boston, Hartford, Springfield, and Providence in population!)

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It is the fastest growing ADI in one of America's fastest growing and more prosperous regions.

Where's this market that is tops in New England in growth? Shouldn't it be somewhere near the top of your New England media buy?

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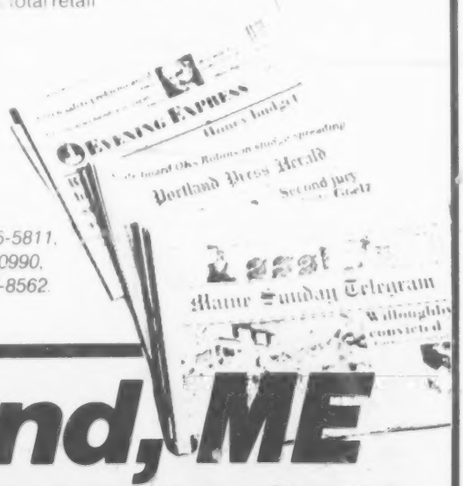

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Advertising Age®

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

New deals coming?

Philip Morris brand-builders still not satisfied

By FRED DANZIG and JUDANN DAGNOLI

NEW YORK—If the group efforts to buy RJR Nabisco fail, Philip Morris Cos.—fresh from its $13 billion buyout of Kraft—might be prepared to shell out more cash to acquire some Nabisco brands.

This possibility emerged during an interview with PM Chairman Hamish Maxwell, Vice Chairman William Murray and Staff VP-Marketing Planning James J. Morgan, who discussed with ADVERTISING AGE the pragmatic ways in which they approach their growth-oriented marketing and corporate goals.

"We've got a full plate now" with Kraft, said Mr. Maxwell, but he added that if Kraft had not been targeted, "we could have had some interest in some Nabisco business if it had become available. Certainly we have some interest in certain parts of their business right now."

Would he be interested in participating in a group bid? He would consider this under certain circumstances, he said.

Mr. Maxwell also agreed with those who say no corporation should feel itself immune from the possibility of takeover.

"That's true for IBM and it has to be true for Philip Morris," he said. "But I think you'd have to say the financing of the RJR deal"—the prime example of a group takeover bid—"is turning out to be not as easy as all that," he added *(see story on Page 2).*

Staff photo by Doug Goodman

At Philip Morris offices in New York: William Murray (l.), Hamish Maxwell and James Morgan.

Concerning additional acquisitions, Mr. Maxwell said: "You've got to do acquisitions and also develop brands of your own in order to grow. Every food company has grown through acquisition. We feel we have a balance in the way we've grown."

He added: "We want to be the best; we don't really care if we're the biggest or not. We are concerned that people don't think that somehow or other [the Kraft acquisition] adds tremendously to a major amount of change."

Mr. Maxwell took issue with those who believe Philip Morris now has retailer clout that poses a threat to its competitors.

"Even with Kraft, we're still a relatively minor factor in grocery stores, as a whole," said Mr. Maxwell. "Look at the shelves and what's on them and you'll find that we are still a small part of the store.

"The customer," he said, referring both to the supermarket chains and consumers, "is still king."

The Kraft deal, the PM executives said, has strengthened PM's global presence as a U.S. food company that must compete with giant foreign-owned food marketers such as Nestle and Unilever.

Mr. Murray added that the Kraft buy should also give PM a greater "critical mass" in Europe as access to a common

(Continued on Page 66)

Ailes: What he wants next

Roger Ailes at his desk in Bush's campaign headquarters in Washington.

Bush adman aims attack at Madison Ave.

By STEVEN W. COLFORD

WASHINGTON—Having sold America on George Bush for president, Roger Ailes now may be setting his sights on corporate America.

The extraordinary political adman, who showed America Mike Dukakis' tank, Willie Horton's prison and Boston Harbor's dead fish, thinks he can do for General Motors Corp. or RJR Nabisco what he did for the vice president—create ads that reach the audience, inform the audience and move product off the shelf. And do it better than "Madison Avenue boys," as he calls them.

"Sure, I'd do [product] advertising," he said. "I've even had some calls from corporations."

Mr. Ailes' blunt assessment of product advertising was part of a lengthy interview with ADVERTISING AGE after last week's election and right before leaving Washington for a one-day vacation in Florida.

Following that, Mr. Ailes moves on to another campaign, this one in Costa Rica where client Raphael Calderone is running for president. The interview follows:

ADVERTISING AGE: *Would you do product advertising?*

Roger Ailes: [I see] how much waste there is in most ad agencies' work for their clients. I realize it can be done

(Continued on Page 47)

Last Minute News

Conde Nast buys antiques book

NEW YORK—Conde Nast Publications Chairman S.I. Newhouse has purchased *Art & Antiques* from Allison Publications, sources close to Conde Nast said. Conde Nast executives wouldn't confirm or deny the acquisition, though early last week they admitted Mr. Newhouse was buying a magazine. At the time, Conde Nast also said Rebecca Darwin, publisher of *The New Yorker*, would move to publisher of the magazine being acquired. *Art & Antiques*, which is published 10 times annually, has a circulation of more than 100,000.

Soviet Union hosts Pepsi

SOMERS, N.Y.—Pepsi-Cola Co. is about to begin filming what's believed to be the first U.S. commercial ever made in the Soviet Union, sources said. The spot, directed by Leslie Dektor, is expected to feature Soviet youths, using its "Choice of a new generation" theme. The company couldn't be reached for comment at press time. BBDO Worldwide, New York, is Pepsi's agency.

Foster's Lager taps AC&R/CCL

MELBOURNE, AUSTRALIA—Carlton & United Breweries named AC&R/CCL, Los Angeles, to succeed George Patterson Pty. here as creative agency for its estimated $25 million Foster's Lager account in the U.S. and Canada. AC&R/CCL continues to

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What's Ayer's future at BK?—P. 3
Networks get nasty in ads—P. 3
Crawford ready for Omnicom—P. 4
Ad Age focuses on Britain—P. 43

Rivals team up for RJR brands

Group bids a new trend in mergers

By LAURIE FREEMAN and JUDANN DAGNOLI

Group bids from strange bedfellows soon may be the norm in the next round of megamerger deals.

In the battle for RJR Nabisco, Forstmann, Little & Co. and Goldman, Sachs & Co. teamed with Procter & Gamble Co., Ralston Purina Co. and Castle & Cooke to plan an estimated $23 billion bid for the marketer's companies and brands.

Sources believe that more group bids for the tobacco/food products giant may be in the offing. RJR's food brands—which include Oreo cookies, Ritz crackers, Nabisco cereals, Milk-Bone dog biscuits and Del Monte fruits and vegetables—are generating keen interest among companies who may not be able to finance a major bid for the company on their own.

Last week, both Borden Inc. and Quaker Oats Co. said they were interested in certain RJR businesses, but indicated they were unwilling to take on enough debt to acquire the entire company.

Group bids such as the one Forstmann Little put together are becoming "the new reality," said Gordon Wade, a consultant with Cincinnati Consulting Group. "These are highly unusual times and P&G, like everyone else, is adjusting to the new economic environment it's competing in."

John Quelch, marketing professor at Harvard Business School, called it "the era of strategic alliances." Mr. Quelch said global marketing is influencing companies to work together to better compete when trade restrictions are lifted in Europe in 1992.

"These strategic alliances promise to replace regional marketing as the buzzword for 1989," he said.

Already, once-unlikely joint ventures among competing marketers are cropping up overseas, he said, particularly in research and development.

Analysts speculated the Forstmann Little group would break up RJR as follows: P&G would get Planters' salty snacks and Fleischmann's margarine; Ralston would take Milk-Bone and Nabisco cereals; Castle & Cooke would take Del Monte; and the tobacco business probably would be kept by Forstmann Little.

The major question mark is the cookie and cracker division, with an estimated price tag of nearly $4 billion; both P&G and Ralston are seen as possible buyers.

This group deal is particularly unusual for P&G.

"For P&G to act in concert with other [companies] like this is unheard of," said John T. Thomas, an executive recruiter and former P&G manager.

P&G generally shies away from acquisitions that require large debt. It also avoids hostile takeover battles, preferring instead to be a white knight.

Although the pending offer cannot be deemed hostile because it was invited by RJR's special board of directors committee, the ego-ridden bidding war promises to be a mudslinger.

The two bids already in from Shearson Lehman Hutton, Salomon Bros. and F. Ross Johnson's management group and Kohlberg, Kravis Roberts & Co. have already provoked controversy and personality clashes between the major players.

Indeed, Forstmann Little, which is leading the consumer-products

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M&M/Mars candy to raise visibility with Disney link

By JUDANN DAGNOLI

Mars Inc.'s M&M/Mars candy division plans to announce a multiyear strategic alliance with Walt Disney Co. as part of a new, aggressive marketing stance.

The effort will be spearheaded by Al Poe, M&M/Mars' new VP-marketing, who was known for aggressive ad spending and new-product activity when he worked on the company's pet-food business.

Mr. Poe was most recently marketing director for Mars' pet-food operations in the U.K. He arrived in Hackettstown, N.J., two weeks ago to replace John Langdon, former senior VP-marketing. Mr. Langdon now is president of Topps Chewing Gum.

The Disney tie-in signals that the secretive and insular company is looking for new ways to promote its products and is willing to enter into joint ventures with other marketers, sources said.

"One thing you'll see at Mars will be more tie-ins with the big players—Disney, Coca-Cola, McDonald's—if they can get them," a source close to Mars said. "They [Mars] will be looking for co-marketing opportunities and are trying to be more creative in looking for edges to compete in a more difficult market."

A Mars spokesman said an announcement about the company's long-term deal with Disney would probably be made this week. The company set a Nov. 30 news announcement "to unveil plans for one of the most significant business endeavors the company has ever undertaken."

Disney wouldn't comment on a new M&M/Mars link, but the two companies recently joined in back-to-school and Halloween promotions involving nine of Mars' candy brands (AA, June 6).

Sources said the promotion will feature Disney characters in network TV spots.

D'Arcy Masius Benton & Bowles, New York, is believed to be the agency for the promotion, although the agency wouldn't confirm it. The company's other candy agency is Backer Spielvogel Bates.

Observers familiar with Mr. Poe described him as a marketing "visionary" and credit him for major gains made by Mars' U.K. Pedigree Pet Foods business.

"He has completely shaken up Mars' thinking," said one agency source familiar with Mr. Poe.

The source said Mr. Poe was the driving force behind pet-food line and brand-name extensions that resulted in new categories and new sizes.

> "One thing you'll see at Mars will be more tie-ins with the big players—Disney, Coca-Cola, McDonald's—if they can get them."

He is said to have conceived the idea of dog drinks to complement dog foods, a new-product concept Mars is believed to be considering for introduction in the U.K.

Observers believe he will move swiftly to introduce new products in the U.S., and will pump up ad spending for existing brands.

At M&M/Mars, Mr. Poe takes on a candy business that competitors contend has been stumbling of late and been behind in new-product introductions.

Although M&M/Mars is testing Balisto, a chocolate-covered grain-based bar, and PB Max, a peanut butter chocolate bar, it hasn't had any recent national launches.

Its main competitor, Hershey Foods Co., recently bought the Cadbury-Schweppes confectionery brands in the U.S., including Mounds and Almond Joy candy bars, giving it about a 39% share of the $8 billion U.S. candy market compared with Mars' 37%.

Wayne Walley in Los Angeles contributed to this story.

Sears

(Continued from Page S-2)

pose of the network was to let the world know that Allstate, Coldwell Banker and Dean Witter were all part of Sears. We accomplished that."

Although Sears maintains its mission-accomplished posture, some question whether three years and $40 million in advertising were required for a basic awareness campaign. Although the financial units work together on certain services, including mortgages and home insurance, marketing heads at all three can give few solid examples of cross-selling efforts.

Fred Morache, VP-advertising & PR at Coldwell Banker, says his unit is looking to increase business by "sharing customers between members of the network" but would not elaborate. Dean Witter offers a variety of financial services through its Discover card, but "none of them have much to do with the network," says Beth Metzler, Dean Witter's PR manager. Allstate gives examples of scattered efforts to snare new insurance customers outside Sears stores, but the company has no master plan for the activities.

Despite Sears' insistence that it is satisfied with the network as is, there are strong indications that the company has no choice but to retrench from an overly ambitious initial plan. When Sears rolled out the network, the company also opened 50 branches of the Sears Savings Bank in California. Within a few years, however, Sears began to close the branches, and today only one remains.

"We realized that a brick-and-mortar strategy of providing financial services wasn't the way to go," Mr. Fairweather says. Also, financial centers are located in only 330 of Sears' 825 stores.

Still, Sears has reaped some successes with the network. In 1987, the three units' combined revenues rose 22% to $20.7 billion: $15.6 billion from Allstate, $3.9 billion from Dean Witter and $1.2 billion from Coldwell Banker. Merchandise group revenues totaled $28.1 billion, up 3.7% from a year earlier.

Several of its competitors believe the company still has the potential to become a supermarketer of financial services.

"Sears has done quite well at gathering mortgages—in particular through Dean Witter and Coldwell Banker—quietly and without fanfare," says Marshall Dennis, executive director, National Mortgage Institute. Mr. Dennis says Sears has a "sizable" mortgage portfolio, giving the company long-term relationships with homeowners and creating future cross-selling opportunities. Sears also has an enormous combined data base of each unit's customers, plus Sears and Discover cardholders.

"We never knew what Sears' internal goals were with the financial network, and clearly they took a chance. But it's much too early to make a judgment about the future of Sears and its ability to cross-sell financial services to its retail customers," says Gerald Levy, chairman of Guaranty Savings, Milwaukee. "Sears has simply learned that it's not a slam-dunk to sell financial services. It takes a while."

One of the strongest believers in Sears' potential to become a major player in financial services is Kemper Group, a direct competitor of Allstate Insurance and Dean Witter financial services. "Anyone assuming that Sears has failed with the network at this point is completely naive," says Ira Nathanson, VP-corporate communications for Kemper Financial Services.

"Whether they do it through direct mail, in-store intercepts or telemarketing, Sears is a lot smarter than people realize, and it has a great deal of potential to market financial services very aggressively one of these days," he says. "We fully expect that it will." AA

MEDIA WATCH

Money books post mixed results

Circulation	Ad revenues	Ad linage	Biggest advertiser
Money			
1,810,966('88)	$38,982,000 ('88)	704.4 pp. (1/88-6/88)	General Motors Corp.
1,878,279('87)	$37,234,000 ('87)	770.4 pp. (1/87-6/87)	
Changing Times			
1,192,163 ('88)	$7,044,010 ('88)	364.9 pp. (1/88-6/88)	Fidelity Investments
1,397,485 ('87)	$8,041,443 ('87)	390.4 pp. (1/87-6/87)	
Sylvia Porter's Personal Finance			
459,549 ('88)	$2,137,607 ('88)	197.6 pp. (1/88-6/88)	Fidelity Investments
406,361 ('87)	$2,307,187 ('87)	251.2 pp. (1/87-6/87)	

Note: ABC circulation data, ad linage and revenue figures are for first two quarters.

Affinity

(Continued from Page S-1)

While some predict that the pace of affinity card introductions will slow during the next several years, others say the programs will remain popular. But they warn that the next generation of cards will reveal more about consumers' affinity to their wallets than to a group or charity. At the same time banks will be more careful about choosing partners.

"Banks are being more selective of the groups they decide to work with. Some are even going back to the sponsoring organizations and renegotiating their offers," says Greg Spagna, president of the financial services group of Market Facts research company.

He says banks are revamping their programs because research shows that consumers are interested in merchandise discounts and low interest rates—more than pass-along benefits for affinity groups. "If all of the value goes to the sponsoring organization, consumers don't respond as well," Mr. Spagna says.

Stephen Bartell, director of ID Plus, MasterCard's affinity division, echoes this refrain, saying the motivation to use the card will increasingly come from consumers' understanding of "what the card can do for them."

But he does not discount the importance of affinity ties. "We have no indication that affinity cards have peaked. In fact, more banks are coming into affinity marketing and bringing more associated groups in than ever before," Mr. Bartell says.

The concept still is evolving, although it still is billed as a something-for-everyone program. Credit-card companies and banks attract cardmembers, increase card usage and have a way to distinguish their products. The Visa study shows that affinity card holders tend to spend more—their average monthly statement was $693 compared to a systemwide Visa average of $388.

In addition, Visa found for 44% of its affinity cardholders, the affinity card was their first Visa.

Participating groups may receive fees for bringing in new cardholders, and they get a product to sell as their own. Consumers get the satisfaction of using a credit card that reinforces group allegiance and benefits the organization—and they are increasingly being lured by competitive rates and merchandising discounts.

A recent study by *American Banker* confirms the importance consumers place on basic economic benefits. Low interest rates and fees were the main reason 28% and 21%, respectively, acquired affinity cards. Only 11% listed benefits to sponsoring groups at the top.

Several types of cards have been created to date: product benefit cards, lifestyle cards and personality cards, among others.

Product benefit cards, for example, may offer frequent flier discounts; lifestyle cards typically involve groups of people united by common interests; personality cards play off the devotion of star gazers—the Elvis Presley affinity card claims to be the first of this type.

Amid cries of oversaturation, experts cite developing areas. Employee benefit cards may become a common company perk; retailers may switch to co-branding cards instead of running independent charge operations; marketers may zero in on ethnic groups—two affinity programs already target Armenians; and mall cards with frequent-shopper benefits will pop up in key residential/commercial areas.

Most think that the next stage of affinity card development will be dominated by similar highly targeted, localized programs. "The next surge of activity will be highly segmented programs, by lifestyle, by geographic region and by demographic characteristics," says John Pollock, publisher of *Bank Credit Observer*.

Kelly Wells, president of Future Resources, an affinity program developer, thinks "most of the good cause-related groups are gone." Nonetheless, she's confident the basic idea is sound. "The genius of the concept is its ability to reinvent itself," Ms. Wells says.

Her company is working on several programs due next year. One, for the 400,000-member National Committee for the Prevention of Child Abuse, entails a tie-in with a major family magazine in the cause-related effort. Another, involving the entertainment industry, will support the Actors' Fund.

Mr. Bartell says MasterCard will "continue, wherever possible, to unearth opportunities" for new affinity programs and further enhance programs.

Whether the cards provide altruistic or materialistic perks, banks and sponsoring organizations need to be more creative in relating card benefits to the association, says John Love, publisher of *Bank Network News*.

"The concept of affinity cards has to go back to its roots: real benefits." AA

Contributing editor Kristine Stiven coordinated this report on Financial Services Marketing.

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Coupons gain favor with U.S. shoppers

By IRA TEINOWITZ

CHICAGO—Shoppers are using coupons as much as ever and do not see coupons or other promotional devices as cheapening a product's value, according to a new study.

Fully 98% of households have used coupons in the past year and 97% of households in the past 30 days, reports a national survey of 654 households by Frankel & Co. a marketing services company.

The survey has a 2% margin of error.

But the study finds some changes in the past four years in the way consumers view coupons and other promotional programs.

Among the changes:

- Consumers are more willing to send in for rebates.
- Consumers are more likely to use coupons for brands they usually buy, and less likely to use coupons as incentives to try new brands.
- The great majority of consumers take coupons with them when they go grocery shopping.
- Shoppers are redeeming fewer coupons they get in grocery stores.
- Consumers are less likely to play rub-off games, though 48% of consumers still play the games.

The 1988 study, similar in methodology to one Frankel conducted in 1984, reported that 89% of all consumers liked coupons and 47% felt more positively toward brands that offered some sort of promotions.

Half of consumers said promotions didn't affect their overall feelings about a brand either way.

"Consumers hold a generally more favorable opinion of those brands of grocery products that offer promotional discounts of one type or another," the study reported.

Shoppers, according to the study, also appeared willing to participate in a variety of promotional programs, with 84% reporting having used free samples and 87% rebates in the past year.

The study said 62% participated in sweepstakes and 48% used proofs of purchase to get a free gift.

Don Packard, research director, said the positive feelings of consumers toward coupons was one of the study's biggest surprises.

"The magnitude of the favorability was a little bit of a surprise to me," he said, noting that there had been sales promotion industry concern that too much couponing might hurt a brand.

He attributed consumers' increased willingness to use rebates to more rebates being offered and a rise in the amount of individual rebates.

"Their value has increased over the years," he said. "Now even batteries give $1 back."#

How shopper's use coupons

Questions	Percentage answering "always" or "almost always" 1984	1988
Do you use coupons for brands normally bought?	78%	84%
Do you use coupons to try new brands or products?	38	32
Do you use coupons that you get in groceries?	54	29
Do you take coupons with you when grocery shopping?	84	81
Do you use coupons that enter you in sweepstakes?	29	21
Do you send in labels or proofs of purchase for refunds or rebates?	34	54

Source: Frankel & Co.

Interpublic taps Day as its 1992 emissary

By JON LAFAYETTE

NEW YORK—Barry Day has been called away from McCann-Erickson Worldwide to assess the changes 1992 will bring to the European market for Interpublic Group of Cos., the agency's parent.

Mr. Day, 54, who had been vice chairman of McCann since 1981, will become Interpublic Chairman Philip Geier Jr.'s assistant. They first worked together in 1970 when Mr. Day joined McCann as creative director of the London office and Mr. Geier became McCann London chairman.

McCann has no plans to replace Mr. Day, a flamboyant creative executive who helped the agency create global images for clients including Coca-Cola Co. and Exxon Corp. He also set up a worldwide creative team headed by Exec VP-Worldwide Creative Director Marcio Moreira.

B. Day

Other executives will be brought in to oversee agency services Mr. Day had monitored as worldwide director of professional services.

"I've got things in place at McCann, and Geier said, 'How'd you feel about getting back in harness again?' " Mr. Day said.

The year 1992 is important because governments in Europe hope to harmonize regulations by then and create a unified European marketplace.

"The key project I'll be working on is a proper assessment of what 1992 and a single European market means," he said. "Much has been said about it, written about it, which is partly true and the rest a lot of rubbish. He [Mr. Geier] wants to make it a theme this year and take an Interpublic overview.

"Phil feels that we, as European as well as worldwide leaders, should have a view on and make clients aware" of the implications of the changes in Europe, Mr. Day said.

Mr. Day said that as an emissary from Interpublic, he will be working with the company's other agencies, Lintas:Worldwide and Lowe Marschalk, as well as government officials, clients and even non-clients.

He also will work on other undisclosed projects for Interpublic.

Mr. Day began his career in 1956 as a management trainee with Lintas, where he rose to creative director. He earned bachelor's and master's degrees from Balliol College, Oxford, England.#

Audi to give TV networks second shot

By RAYMOND SERAFIN

TROY, MICH.—Audi of America will likely return to network TV in late February or early March, but isn't backing away from its long-term commitment to build an image through print.

Network and cable buys would be used to enhance the first-quarter launch of a new multivalve engine for the 90 Quattro, and in the second quarter to introduce a coupe version of the 90 series, according to Anthony Kirton, director of marketing for Audi, a unit of Volkswagen of America.

Audi and General Motors Corp.'s GMC Truck division earlier bowed out of network TV (AA, Oct. 24), each saying it would invest the money in print media, where it could better afford to build a long-term image among affluent prospects.

That decision prompted responses from "plenty of magazines" and one "pretty interested" network, Mr. Kirton said.

The money for TV represents ad spending increases specifically for the launch periods, and won't come out of the print budget, Mr. Kirton said.

"We will maintain a major print presence in 1989. We still believe it is our base medium," he said.

But, he added, "We're taking a long, hard look at cable, and we will probably be a relatively heavy user."

Cable offers a niche marketer such as Audi some of the same ability as specialty magazines to reach narrow target groups, Mr. Kirton said.#

Omnicom job

(Continued from Page 4)

factory progress," said Alan Gottesman, analyst at PaineWebber. "If I had to pick one [negative], it would be the new-business activity of DDB Needham," he said.

"I don't know whether it's been successfully accomplished," said Mr. Crawford of the DDB Needham merger. But he expressed confidence in Mr. Reinhard's talents. He said he attempted to lure the Needham executive to BBDO in 1980.

In reviewing Omnicom's operations, Mr. Crawford said that he's less concerned with the particulars.

"A lot of things may end up as the icing. What the cake is is the quality of operations that make up Omnicom. Sure, one wants to figure out how to maximize the operations and there are questions about integration and all that, but basically in the end how good the operating units are will spell the failure or success of Omnicom, and we can't lose sight of that."

Mr. Rosenshine, in an interview after the Nov. 4 personnel announcement, said he's "happy that we've taken [Omnicom] from consolidations and write-offs to two years of solid performance.

"DDB Needham has stabilized and BBDO continues its mandate to improve its multinational business picture. But mostly I'm happy that the creative reputation on which Omnicom is based is fully supported by the performance of the last two years."

Mr. Rosenshine said his move back to BBDO was prompted by a desire to be closer to the advertising business, and by Mr. Campbell's decision to retire. Other sources cited personality conflicts between Mr. Campbell and other BBDO executives as the reason for his departure.

Some sources said Mr. Campbell's leadership of BBDO was never viewed as more than a "transitional" role quickly agreed upon because Mr. Campbell was the only logical executive to succeed Mr. Rosenshine when Omnicom was formed.

Financial analysts generally view Omnicom's progress since April 1986 as steady but somewhat slow.

"Clearly, they've gone down the long road and made strong gains in melding the cultures together," Mr. Ostroff said. "You've got to give Allen a lot of credit for that. But they've clearly not lived up to expectations yet, and financially the company has not lit the world on fire."

He cited cash management problems as one example of less-than-strict controls, despite a 25% earnings gain in the third quarter and a 20% gain for the year to date.

"Personally, I think they might've been able to get a little bit further a little bit sooner," Mr. Gottesman said.

But both agree Mr. Crawford is the man to help move Omnicom beyond a transitional period. In his three years running the Met, Mr. Crawford erased deficits that ran as high as $8 million in one season, and helped reverse severe box-office declines.

In the 1988-89 season, 92% of the Met's seats have been sold. And Mr. Crawford has led the opera to resume recordings and its foreign tours for the first time in 13 years.

"Either I was going to stay here for the rest of my active career or this was going to be the thing that changed my mind," he said of an offer by Mr. Rosenshine in early September to replace him as head of Omnicom. "It isn't as though I didn't know the place, so I decided to do it."

"Omnicom is interesting to me because, in the first place, it's a recent development and people are wondering how well it will work. It would not interest me to run an ad agency per se, because my skills are much better suited to the parent company.

"There you have to be a lot of things, an entrepreneur, a manager, a psychiatrist and a promoter. It's fascinating to me."

Mr. Crawford is a 22-year BBDO veteran, joining the agency in 1963 as a VP-management supervisor after working stints at Benton & Bowles and Ted Bates Co. and after two years as ad manager of Chesebrough-Pond's.

In his early years, he worked with Mr. Rosenshine, then a young copywriter, on the Gillette Co. account.

ALLEN ROSENSHINE

In 1969, Mr. Crawford became head of BBDO's fledgling international division, then took over worldwide financial and administrative responsibilities in 1974, just as the company went public.

He became president of BBDO International in 1975, ceo in 1977 and chairman in 1982, shortly before leaving to join the Met full-time.

He said he had no involvement in the formation of Omnicom and has had no more than a social relationship with Mr. Rosenshine and Philip Dusenberry, BBDO vice-chairman and New York chairman-ceo, since leaving the agency.

He sees parallels between the agency and opera worlds, as both are dominated by creativity and egos, and not necessarily in that order.

"Basically, people are interested in the star system," Mr. Crawford said. "Here there's Luciano Pavarotti, [Placido] Domingo and Joan Sutherland. There it's who's going to make the advertising. Phil Dusenberry, Keith [Reinhard] and Allen [Rosenshine]. I happen to believe in brand names and what you build into them."

Observers describe Mr. Crawford as a forthright and effective manager. "He's got a unique talent to let people develop on their own," said Willi Schalk, president-chief operating officer at BBDO.

"Bruce's strength is a function of his directness," Mr. Gottesman said. "The guy's a very clear thinker and there's a v short pathway between his b...n and his mouth. He's very direct and incisive, but he's not a hip-shooter."

For his part, Mr. Crawford describes himself as an effective, moderate delegator.

"My feeling is that anybody who knows me in the business would say I'm no cowboy, no casino operator and, on the other extreme, I'm not given to reliance on unnecessary financial controls.

"What I believe in is building businesses and building them based on client needs and then getting a fair price. I'll probably give other people most of the work in designing the tools. I'm most interested in individuals and designing groups, and if that style isn't desired, no one should go into business with me.

"What I'm attempting to do [at the opera] is make sure we have the best singers and conductors and composers and designers, and to create an environment and an enthusiasm for the task at hand and make it possible for people to perform to the best of their abilities. That's what running a creative or artistic-driven operation is all about."#